

approximately \$250 million to \$400 million.

A substantial portion of the incremental postretirement benefit costs to be accrued by the Company under the new standard relates to the Company's rate-regulated local communications services subsidiaries. Depending on future federal and state regulatory decisions, the amount of postretirement benefits costs of these subsidiaries that will be allowed for rate-making purposes in a given year could be less than costs determined under SFAS 106. Under generally accepted accounting principles, the Company's local communications services subsidiaries may report these lower costs for financial reporting purposes if the differences between amounts reported and amounts determined in accor-

dance with SFAS 106 are specifically allowed for future rate-making purposes and the subsidiaries believe such amounts will in fact be recoverable in future rates. As a result, it is not clear what effect the adoption of SFAS 106 will have on the Company's local communications services division. Application of SFAS 106 to the Company's other business units is not expected to have a material effect on the Company's consolidated financial position.

The provisions of SFAS 106 require the Company to adopt the new standard on or before January 1, 1993. The Company has not determined when, or by which method, it will adopt the new standard.

## ATTACHMENT C 1991 ANNUAL REPORT

Dividends of \$1.00 per share were paid in 1990. Per share dividends paid in 1989 and 1988 were \$.97 and \$.96, respectively. All shares and per share amounts for 1989 and 1988 have been retroactively adjusted to reflect a two-for-one stock split during 1989. The indicated annual dividend rate is currently \$1.00 per share.

The effects of inflation on the operations of United and its subsidiaries were not significant during 1990, 1989 or 1988.

### RECENT ACCOUNTING DEVELOPMENTS

#### *Accounting for Income Taxes*

In December 1987, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes." Application of SFAS 96 is currently required beginning in 1992; however, the FASB has indicated this requirement may be delayed one year. Early application of SFAS 96 is permitted. SFAS 96 requires a liability approach to accounting for income taxes. Under this approach, existing deferred taxes are adjusted currently to reflect the statutory tax rates under enacted tax laws.

A substantial portion of United's deferred taxes relates to depreciation of regulated local telephone property. Pursuant to current Federal tax law, state regulatory commission orders and SFAS 96, these deferred taxes will be adjusted over the life of the related property rather than in the year of adoption of SFAS 96. Further, it is anticipated that reductions of regulated deferred taxes will accrue to the benefit of the companies' customers. Accordingly, United does not expect that the application of SFAS 96 will have a material effect on future results of its local telephone operations. Application of SFAS 96 to non-regulated operations also is not expected to have a material effect on United's consolidated results of operations.

#### *Accounting for Postretirement Benefits Other Than Pensions*

In December 1990, the FASB issued SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This new standard will result in a change from

United's current practice of accounting for postretirement benefits (principally health care benefits) on a pay-as-you-go (or cash) basis to one requiring United to accrue, during the years employees earn postretirement benefits, the expected cost of providing those benefits to employees and their beneficiaries.

Certain provisions of SFAS 106 will allow United to phase in recognition of its obligation for postretirement benefits already earned by United's current retirees and active workforce as of the date SFAS 106 is initially applied. United can elect to amortize the transition obligation on a straight-line basis over a period of either twenty years or the average remaining service period of its current workforce, which United currently estimates to be fifteen years. In either instance, SFAS 106 is not expected to have a material effect on United's consolidated financial position upon adoption.

A substantial portion of the incremental postretirement benefit costs to be accrued by United under the new standard relates to United's local communications services' subsidiaries. Depending on future Federal and state regulatory decisions, the amount of postretirement benefit costs of these subsidiaries that will be allowed for rate-making purposes in a given year could be less than costs determined under SFAS 106. Under generally accepted accounting principles, local communications services' subsidiaries may report these lower costs for financial reporting purposes if the differences between amounts reported and amounts determined in accordance with SFAS 106 are allowed for future rate-making purposes. As a result, it is not clear what effect, if any, the adoption of SFAS 106 will have on United's local communications services segment. Adoption of SFAS 106 by United's other business units is not expected to have a material effect on United's consolidated results of operations.

The provisions of SFAS 106 require United to adopt the new standard on or before January 1, 1993. United has not determined when it will adopt the new standard.

ATTACHMENT D  
UNITED TELEPHONE COMPANIES

POST RETIREMENT BENEFIT COST PAY-AS-YOU-GO  
YEARS ENDED DECEMBER 31, 1991 AND 1992  
(Thousands of Dollars)

	1991* Pay-As You-Go	1992** Pay-As You-Go
Florida	\$ 3,059	\$ 2,795
Carolina	2,382	2,635
Ohio	1,705	1,573
Midwest	3,266	3,001
Eastern	1,516	1,244
Southeast	1,831	1,615
Indiana	873	781
Northwest	146	222
TOTAL	<u>\$14,778</u>	<u>\$13,866</u>

\*Actual claims experience through self-insured plan, plus HMO premiums.

\*\*As forecast in actuarial study dated September 1991.

ATTACHMENT E  
UNITED TELEPHONE COMPANIES  
OTHER POSTRETIREMENT EMPLOYEE BENEFITS  
SFAS-106  
(000)

	<u>Florida</u>	<u>Carolina</u>	<u>Ohio</u>	<u>Midwest</u>	<u>Eastern</u>	<u>Southeast</u>	<u>Indiana</u>
1. SFAS-106 Incremental Costs	\$14,013	\$15,036	\$8,086	\$8,582	\$6,016	\$5,754	\$3,381
2. SFAS-106 Subject to Sep.	\$11,617	\$11,457	\$6,712	\$7,765	\$5,461	\$4,822	\$2,791
3. % Subject to Sep. (Line 2/Line 1)	82.90%	76.20%	83.01%	90.48%	90.77%	83.80%	82.54%
4. Pay-As-You-Go Amounts	\$ 3,059	\$ 2,382	\$1,705	\$3,266	\$1,516	\$1,831	\$ 873
5. Pay-As-You-Go (Subj. to Sep.) (Line 4 * Line 3)	\$ 2,536	\$ 1,815	\$1,415	\$2,955	\$1,376	\$1,534	\$ 721
6. Interstate Allocator (Big Three Expense Factors)	24.26%	16.58%	20.24%	21.86%	19.37%	21.42%	23.44%
7. SFAS-106 In Interstate Rates	\$ 615	\$ 301	\$ 286	\$ 646	\$ 267	\$ 329	\$ 169

	<u>Northwest</u>	<u>Total</u>
1. SFAS-106 Incremental Costs	\$ 1,884	\$62,752
2. SFAS-106 Subject to Sep.	\$ 1,627	\$52,252
3. % Subject to Sep. (Line 2/Line 1)	86.34%	83.27%
4. Pay-As-You-Go Amounts	\$ 146	\$14,778
5. Pay-As-You-Go (Subj. to Sep.) (Line 4 * Line 3)	\$ 126	\$12,478
6. Interstate Allocator (Big Three Expense Factors)	25.86%	20.94%
7. SFAS-106 In Interstate Rates	\$ 33	\$ 2,646

ATTACHMENT F  
UNITED TELEPHONE COMPANIES

MONTHLY CLAIMS COST BY AGE  
OLD PLAN RETIREES

	<u>Under Age 65 Retirees</u>		
	<u>Retiree Only Cost</u>	<u>Retiree Plus One Cost</u>	<u>Retiree Plus Family Cost</u>
Northwest	\$118.65	\$233.78	
Midwest			
Arkansas	278.16	507.78	
Iowa	278.16	542.49	766.25
Kansas	228.95	480.67	635.76
Missouri	255.09	518.51	614.01
West	204.35	408.49	766.25
Texas	258.61	510.39	750.63
Minnesota	256.02	514.93	461.77
Indiana	145.91	270.59	362.72
Ohio	154.76	262.18	482.39
Eastern			
UTC of Pennsylvania	156.73	273.07	370.13
UTC of New Jersey	154.06	267.65	370.13
Southeast			
UTC of the Carolinas	207.85	383.24	610.96
United Telephone - Southeast	183.69	372.82	447.90
Florida	196.30	376.27	446.96
Carolina	143.55	279.67	410.87

ATTACHMENT F  
UNITED TELEPHONE COMPANIES

MONTHLY CLAIMS COST BY AGE  
OLD PLAN RETIREES

	<u>Age 65 And Over Retirees</u>		
	<u>Retiree Only Cost</u>	<u>Retiree Plus One Cost</u>	<u>Retiree Plus Family Cost</u>
Northwest	\$ 53.20	\$121.26	\$258.68
Midwest			
Arkansas	97.62	321.13	
Iowa	97.62	235.52	469.62
Kansas	97.62	259.69	
Missouri	97.07	241.72	469.62
West	97.62	211.51	469.62
Texas	96.30	255.20	477.62
Minnesota	103.44	239.30	461.77
Indiana	79.48	173.37	291.94
Ohio	47.65	136.81	
Eastern			
UTC of Pennsylvania	81.53	230.39	310.84
UTC of New Jersey	83.20	227.06	310.84
Southeast			
UTC of the Carolinas	92.28	227.65	347.57
United Telephone - Southeast	91.05	242.26	442.73
Florida	74.20	189.15	369.67
Carolina	76.97	188.50	257.53

ATTACHMENT F  
UNITED TELEPHONE COMPANIES

MONTHLY CLAIMS COST BY AGE  
NEW PLAN RETIREES AND ACTIVE EMPLOYEES

<u>Plan</u>	<u>Retiree Age Group</u>	<u>Age of Spouse</u>	<u>Retiree Only</u>	<u>Retiree &amp; Spouse</u>	<u>Retiree &amp; Family</u>
New	Under 65		\$181.08		\$511.42
	65 & Over		70.92		\$270.00
New	Under 65	Under 65		\$358.92	
	65 & Over	Under 65		\$248.83	
New	Under 65	65 & Over		\$252.00	
	65 & Over	65 & Over		\$141.92	

ATTACHMENT F  
UNITED TELEPHONE COMPANIES

HEALTH CARE COST  
TREND RATE

Ultimate Annual Increase  
in Medical Benefit (COST): 6% per annum

<u>Annual Increase in Medical Inflation or Benefit</u>				
	<u>OLD*</u> <u>PLAN</u>	<u>Old*</u> <u>PLAN</u>	<u>NEW**</u> <u>PLAN</u>	<u>NEW**</u> <u>PLAN</u>
<u>Year</u>	<u>Prior to</u> <u>Medicare</u> <u>Eligibility</u>	<u>Eligible</u> <u>for</u> <u>Medicare</u>	<u>Prior to</u> <u>Medicare</u> <u>Eligibility</u>	<u>Eligible</u> <u>for</u> <u>Medicare</u>
1-4	20	11	10	10
5	18	10	10	10
6	16	9	10	6
7	14	8	10	6
8	12	7	10	6
9	10	6	10	6
10	8	6	8	6
11	6	6	6	6
12	6	6	6	6
13	6	6	6	6
14	6	6	6	6
15	6	6	6	6
16	6	6	6	6
17	6	6	6	6
18 plus	6	6	6	6

\*Old Plan for employees retiring on or before 12/31/90.

\*\*New Plan commenced for employees retiring on or after 1/1/91.



ATTACHMENT F  
UNITED TELEPHONE COMPANIES

EMPLOYMENT TURNOVER  
AND MORTALITY ASSUMPTIONS

Separations Before  
Normal Retirement:

Representative values of the assumed annual rates of withdrawal, early retirement, death and disability are as follows:

Annual Rate of Withdrawal  
Prior to Eligibility for Early Retirement

Age	High Turnover Companies		United		All Other Companies	
	Men	Women	Men	Women	Men	Women
25	10.80%	12.25%	7.80%	9.25%	5.80%	7.25%
30	8.50	9.38	5.50	6.38	3.50	4.38
35	7.20	7.75	4.20	4.75	2.20	2.75
40	7.20	7.75	4.20	4.75	2.20	2.75
45	7.10	7.10	4.10	4.10	2.10	2.10
50	7.00	7.00	4.00	4.00	2.00	2.00
55	6.80	6.80	3.80	3.80	1.80	1.80
60	6.90	6.90	3.90	3.90	1.90	1.90
64	6.98	6.98	3.98	3.98	1.98	1.98

Note: Withdrawal rates shown are adjusted during the second and third years of employment to reflect higher turnover.

Age	Early Retirement		Annual Rate of Death		Disability	
	Men	Women	Men	Women	Men	Women
25	—	—	.10%	.07%	.06%	.09%
30	—	—	.10	.09	.06	.09
35	—	—	.12	.12	.06	.09
40	—	—	.20	.15	.10	.15
45	—	—	.36	.17	.20	.40
50	—	—	.60	.24	.37	.54
55	1.25%	4.00%	.84	.32	.65	.62
60	9.00	20.00	1.16	.47	1.17	1.07
64	16.00	20.00	1.60	.64	1.60	1.43

**CERTIFICATE OF SERVICE**

I, Melinda L. Mills, hereby certify that I have on this 1st day of June, 1992, sent via hand delivery a copy of the foregoing "Direct Case of the United Telephone Companies" CC Docket No. 92-101 filed this date with the Secretary, Federal Communications Commission, to the persons listed below.

Ms. Cheryl Tritt  
Chief, Common Carrier Bureau  
Federal Communications Commission  
Room 500  
1919 M Street, N.W.  
Washington, D.C. 20554

Downtown Copy Center  
Room 246  
1919 M Street, N.W.  
Washington, D.C. 20554

  
\_\_\_\_\_  
Melinda L. Mills